

Message Text

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ORIGIN SS-15

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DRAFTED BY:S/S-O:KBROWN

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

C O N F I D E N T I A L STATE 195096

TOECO 92

FOL TEL SENT ACTION STATE, INFO TRIPOLI, LONDON, PARIS, ROME,
TOKYO, OECD PARIS, EC BRUSSELS FROM BONN 28 SEP 73 REPEATED TO
YOU

QTE C O N F I D E N T I A L BONN 14107

E.O. 11652: GDS

TAGS: ENRG, GW, LY

SUBJECT: GELSENBERG SETTLEMENT IN LIBYA

REF: TRIPOLI 1241 (NOTAL)

1. IN ABSENCE OF THE ECONMINISTRY DEPASSTSEC KLING,
EMBOFF DISCUSSED THE REFERENCED SUBJECT WITH OFFICE
DIRECTOR SCHMIDT SEPTEMBER 28. SCHMIDT SAID HE HAD
VIRTUALLY NO INFORMATION ON THE GELSENBERG-LARG
AGREEMENT. HE SAID HE HAD RECEIVED A CABLE FROM THE
GERMAN EMBASSY IN TRIPOLI ON SEPTEMBER 27 TO THE
EFFECT THAT GELSENBERG HAD ACCEPTED AN OFFER ALONG THE
LINES OF THE OCCIDENTAL AND OASIS SETTLEMENT BUT HE
KNEW NO MORE DETAILS. HE SAID HE INTENDED TO TRY AND
GET IN TOUCH WITH GELSENBERG'S MANAGER IN LIBYA
SCHUBERT BUT THAT HE DOUBTED IF HE WOULD BE ABLE TO
REACH HIM. SCHUBERT IS SPENDING THE NIGHT IN ESSEN
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AND PROCEEDING ON TO THE STATES ON SATURDAY.

2. SCHMIDT SAID THAT GELSENBERG WAS OF COURSE IN NO POSITION TO OPERATE THE CONCESSION IF MOBIL XERE TO STOP OPERATIONS IN LIBYA. HE SAID HE ASSUMED THAT MOBIL WOULD CONTINUE OPERATING THE CONCESSION IN THE NEAR FUTURE BUT THAT HE DID NOT KNOW WHAT GELSENBERG WOULD DO IF MOBIL WERE O SHUT DOWN ITS OPERATIONS IN LIBYA.

3. IN RESPONSE TO A QUESTION SCHMIDT STATED FLATLY THAT GELSENBERG'S ACTION IN LIBYA WOULD HAVE NO EFFECT ON ANY EVENTUAL BUY-OUT OF GELSENBERG BY VEB. HE THEN LAUNCHED INTO A LENGTHY DEFENSE OF GELSENBERG'S ACTION. HE NOTED THAT GELSENBERG WAS 100 PERCENT PRIVATE AND THAT IT HAD A RESPONSIBILITY TO ITS STOCKHOLDERS TO MAKE THE BEST DEAL POSSIBLE. HE COMPARED GELSENBERG'S POSITION WITH THAT OF OCCIDENTAL AND OASIS AND NOTED THAT UNLIKE THE MAJORS GELSENBERG WAS ENTIRELY DEPENDENT ON LIBYAN CRUDE FOR ITS REFINERY OPERATION.

4. SCHMIDT THEN VOLUNTEERED HIS VIEWS ON THE USG POSITION IN THE LIBYAN CRISIS. HE ASKED HOW COULD THE USG EXPECT OTHER GOVERNMENTS TO PUT PRESSURE ON THEIR PRIVATE COMPANIES NOT TO "HELP THE LIBYANS" WHEN THE PRINCIPAL "HELPERS" ARE PRIVATE INDEPENDENT US COMPANIES. HE CHARACTERIZED THE VIEW THAT THE LIBYAN ACTION WAS "ILLEGAL" AS NAIVE. HOW COULD IT BE ILLEGAL HE SAID IF A NUMBER OF COMPANIES INCLUDING US FIRMS HAVE AGREED TO ACCEPT IDENTICAL TERMS? EMBASSY OFFICER STRESSED THE DIFFERENCE BETWEEN ACCEPTANCE OF A GOVERNMENT OFFER AND HAVING A GOVERNMENT OFFER IMPOSED UPON YOU IN VIOLATION OF CONTRACT AND WITH NO RECOURSE TO ARBITRATION AS SPECIFICALLY PROVIDED FOR IN THE CONTRACT. SCHMIDT AGREED THAT POINT HAD CERTAIN LEGAL VALIDITY BUT THAT SUCH A DISTINCTION WOULD LIKELY HAVE LITTLE EFFECT ON THE SOLUTION OF THE PRESENT DIFFICULTIES. HE REMARKED THAT IF YOU GET INTO A CONFRONTATION WITH AN ARAB GOVERNMENT WHERE YOUR POSITION IS

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SOLELY A LEGAL ONE THE CHANCES OF PROTECTING YOUR INTERESTS ARE NOT VERY GOOD . A NASH UNQTE KISSINGER

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